



TRADEMARK PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

November 29, 2004

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TRADEMARK PUBLIC ADVISORY COMMITTEE

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TRADEMARK PUBLIC ADVISORY COMMITTEE

2004 ANNUAL REPORT

I. INTRODUCTION

Report: This is the Fifth Annual Report of the Trademark Public Advisory Committee (TPAC). The Report reviews the Trademark Operations of the United States Patent and Trademark Office (USPTO) for the fiscal year ending September 30, 2004. Our mandate, pursuant to the enabling legislation, 35 U.S.C. §§ 5(b)(1) and (d)(1), is “to represent the interests of diverse users of the [USPTO]” and to “review the policies, goals, performance, budget, and user fees of the [USPTO]” with respect to trademarks.

Pursuant to 35 U.S.C. § 5(d)(2), this Report is submitted within sixty (60) days following the end of the fiscal year and is transmitted to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives. The Report is submitted for publication in the *Official Gazette* of the USPTO. The Report is available to the public on the USPTO web site, www.uspto.gov.

Members of TPAC: The Members of TPAC wish to express their appreciation to Siegrun Kane, Kimbley Muller, and Griffith Price, whose terms expired on November 27, 2004. Their contributions to the work of the Committee are greatly appreciated. We look forward to the appointment of their successors. We urge that the selection process result in a membership that is truly reflective of the user community.

Those Members of the TPAC who continue to serve are: Jeffrey M. Samuels, of the University of Akron School of Law, who serves as Chairman; Leslie J. Lott, of Lott & Friedland, P.A.; David M. Moyer, of The Procter & Gamble Company; Jon Sandelin, of Stanford University, Maury M. Tepper, III, of Womble Carlyle Sandridge & Price; and Joseph N. Welch, II, of Pattishall, McAuliffe, Newbury, Hillard & Geraldson.

In addition to the above voting Members, the TPAC benefits from the views of three non-voting Members representing the membership of the USPTO unions. They are: Albertha L. Jackson, of the National Treasury Employees Union (NTEU), Chapter 243; Howard Friedman, of NTEU, Chapter 245; and Lawrence J. Oresky, of the Patent Office Professional Association.

II. OVERVIEW

The past year saw significant progress in the Trademark Operations efforts to fully automate its operations, to provide timely and quality examination of applications for Federal registration of marks in the face of a double digit increase in filings, and to plan for its move to new facilities in Alexandria, Virginia. The e-government and other initiatives set forth in the USPTO’s 21st Century Strategic Plan continue to set the agenda for the agency’s operations. The Trademark Office’s results-oriented approach and emphasis on increasing efficiency, quality, and productivity is applauded by the TPAC.

Five of the seven Strategic Plan goals for FY 2004 were met. The following goals were met: trademark applications filed electronically, trademark applications managed electronically, first action deficiency rate, total pendency, and efficiency (total cost of programs compared to core outputs). The following goals were not met: final action deficiency rate and first action pendency. As noted further herein, the TPAC is particularly troubled with the increase in first action pendency. We noted in last year's report that we expected the Office to address this issue during fiscal year 2004. However, first action pendency actually increased during the past fiscal year.

The TPAC wishes to acknowledge the outstanding service rendered during the past five years by Anne H. Chasser, who resigned from the position of Commissioner for Trademarks, effective September 30, 2004. We wish her well in her future pursuits. We also acknowledge the long and distinguished service of former Deputy Commissioner for Trademark Operations Robert M. Anderson, who retired this fiscal year.

III. DISCUSSION OF SPECIFIC ISSUES

A. Staffing of Senior Management Positions

The TPAC is concerned over the vacancies in the senior management positions within the Trademark Operations. As noted above, Commissioner Chasser resigned at the end of the fiscal year and no replacement has yet been named by the Secretary of Commerce¹. While TPAC has complete confidence in the abilities of Acting Commissioner Beresford, now that the presidential election has taken place, we urge the Secretary to name a replacement for Commissioner Chasser as soon as possible. Upon the appointment of the new Commissioner, we urge that the position of Deputy Commissioner for Trademark Operations also be filled on a permanent basis.

It is difficult for any organization to make progress when the upper ranks of its management are filled on an "acting" basis. We believe that, similar to private industry, performance-based organizations, such as the USPTO, must take steps to assure continuity in its senior ranks.

B. Fee Diversion and Pending Fee Proposal

The TPAC applauds the Administration for proposing an end to the practice of diverting USPTO user fees to fund other governmental operations. We also acknowledge the efforts of USPTO Director Dudas and Deputy Director Pinkos to seek enactment of legislation to end fee diversion. We, thus, support enactment of that provision of the "Patent and Trademark Fee Modernization Act" (H.R. 1561, S. 1760) that would amend Section 42 of Title 35 so as to end fee diversion by establishing a system for rebating user fees when USPTO fee revenue exceeded appropriations for a given year. H.R. 1561 passed the House of Representatives in March and was approved by the Senate Judiciary

¹ The Members of TPAC are aware that Secretary of Commerce Donald L. Evans recently announced his intention to resign his position, effective January 2005.

Committee in April. We note, however, that the pending appropriations bill (S. 2809) for fiscal year 2005, as approved by the Senate Appropriations Committee on September 15, deletes the anti-diversion compromise embodied in H.R. 1561 and provides only for a one-year upward adjustment in fees. We urge enactment of H.R. 1561!

The TPAC reaffirms its earlier-stated opposition to any increase in trademark application filing fees while USPTO user fees are diverted to support other Government programs.

C. Performance Statistics

Total trademark filings during Fiscal Year 2004 were 298,489 classes, an increase of 11.7% over last fiscal year. During the past fiscal year, more than 70% of all applications were filed electronically through the Office's e-TEAS system, an increase of greater than 25% over the last fiscal year.

As of September 30, 2004, total pending applications (measured as classes) were 590,155, which represents a 4.3% increase. The inventory of new unexamined files increased by 38% to 151,206 classes.

The number of marks registered was 120,056 (including 155,991 classes), which is about 17% above plan and 16% less than the previous year.

Total trademark disposals for the fiscal year was 211,062, a decrease of more than 12% compared to a year ago.

First action pendency as of September 30, 2004, was 6.6 months, 22% higher than the office goal of 5.4 months. The average pendency to registration, abandonment, and issuance of Notices of Allowance, including suspended and inter partes cases, was 19.5 months, nearly 10% less than the goal of 21.6 months.

While the TPAC acknowledges and applauds the office for meeting most of its performance goals, we are especially concerned with the rise in first action pendency over the past several years. From the perspective of the user community, it is desirable to be advised as to the registrability of a mark as promptly as possible so that informed business decisions may be made. We also note that the increase in first action pendency, ultimately, will result in an increase in the time it takes to obtain a registration. We urge that the Office react more quickly to increases (as well as decreases) in its workload.

The TPAC understands that the office plans to hire additional trademark examining attorneys during FY 2005. We believe such action is desirable and would encourage that such hiring take place as soon as possible. We also encourage the office to aggressively pursue those e-government initiatives that will have the most impact in reducing pendency and increasing quality. Such initiatives, however, should not be implemented until after appropriate and adequate testing. Finally, the TPAC is aware of the study conducted by a task force on pendency and urges management to consider the proposals

set forth therein. As a result of these and other initiatives, we expect to see a reduction in first action pendency during fiscal year 2005.

D. Trademark E-Government

The Trademark Office is making significant progress in meeting the objectives of the USPTO's 21st Century Strategic Plan, which relies on electronic communications to offer market-based services and improve the availability of trademark information to more effectively serve an increasingly larger, global client base.

Electronic filing and information systems serve Trademark Office customers in two very important ways: by improving the timeliness and accessibility of information, and by improving the quality of the initial application and, therefore, the quality of the data that is captured and shared in the publication and registration of trademarks. Electronic filing and access also facilitates the filing of applications for Federal trademark registration. This, in turn, increases the opportunity for public notice and lessens the likelihood of public confusion. We endorse the Office's goal of being able to perform in the near future nearly all its communications with customers electronically.

To the extent we have any concerns with respect to the Office's e-government initiatives, such concerns relate to the issue of implementation. We are aware, for example, that many Trademark employees believe they have not been adequately trained and/or that some initiatives actually retard pendency, productivity, and quality. We believe that such concerns can be addressed through better and more frequent communication among the affected parties.

We have set forth below a summary of the Office's e-government initiatives:

The Office discontinued the practice of printing and creating paper file copies of electronically filed applications in April. All electronically filed responses and Office notices are no longer printed and inserted in paper file wrappers. This change in practice recognizes the progress made in creating and using electronic records to process and examine trademark applications. All documentation is captured and made available electronically through the Trademark Information Capture and Retrieval System (TICRS). A complete electronic records database covering all trademark applications, including ongoing correspondence, was created by capturing the text and image of nearly 500,000 pending paper files and documents in TICRS. Improvements have been made to the order and content of application records that are captured in TICRS. Employees have the ability to re-index the order of existing documents captured in TICRS or they may request re-indexing.

FAST version 1.2 was implemented on July 25, 2004, concurrent with an electronic consolidated docket. This was a significant process change that provided the capability to manage Examiner actions and dockets in a completely electronic environment for actions following the initial examination, as well as to manage the assignment of new applications. This process change provides workflow functionality that eliminates the

need to have paper files to manage the work and take office actions for the core examination process.

Twenty-one electronic Trademark Electronic Application System (TEAS) forms are now available, expanding the number and type of transactions that can be completed on-line. Seven additional TEAS forms were added to the USPTO site on October 2, 2004. The petitions and Intent-To-Use (ITU) process will be automated for requests received through these new forms.

The Office discontinued the practice of having printed weekly copies of the Trademark Official Gazette as of November 2003. The weekly Trademark Official Gazette, Registration Certificates and Updated Registration Certificates for the five most recent weekly issues are available electronically from the USPTO web site. The entire publication, including registration certificates, are available as a PDF file that can be downloaded for free, providing expanded as well as more timely access to trademark information. The weekly publication is fully electronic; text and images that contain the layout are extracted from electronic records and sent to the Government Printing Office for printing registration certificates. A paper copy of the registration certificate is mailed to the registrant; TICS contains the official file copy.

E. Quality

The TPAC again acknowledges the Trademark Office is placing a high priority in improving the quality of its products, increasing customer satisfaction, and building public confidence in the value of issued trademarks. The transition from a paper-based to an electronic-based examination system is still ongoing. The Trademark Office was a pioneer in creating and implementing this transition, and as someone once said “the pioneers are the ones with the arrows in their backs.” Those that follow have an easier and safer path. Such large complex computer-based systems create frustration at both the examiner and end-user level as flaws appear and must be corrected, and as the learning of new techniques and procedures occurs. The TPAC recognizes it will take some time before this transition is completed and the full benefits it offers will be realized. However, we do not find any serious erosion of quality due to this transition, and we expect quality will improve as the systems become more stable and user-friendly, and as examiners and end users become more proficient in their use.

In August 2004, the “Report of the Pendency Task Force” was released. This Task Force was created on July 8, 2004, by the then Commissioner for Trademarks, Anne Chasser, to look at all areas and all factors that might have an impact on trademark application pendency. Several recommendations are made with regard to quality issues (pages 16–20 of the Report). The TPAC has reviewed these recommendations and believes their implementation would have a positive effect on overall quality.

1. "In-Process Reviews"

The Office of Trademark Quality Review continues the program initiated in 2002 to review first and final action letters and, under a set of published standards, to identify "excellent," "satisfactory," and "deficient" work with regard to decision-making. During the past fiscal year, the Office of Trademark Quality Review completed a review of 4,445 first and final action letters. Applying the "in-process" review standards, the deficiency rate for the year for first actions was 7.9% percent, slightly better than the office goal of 8.3%. The final action deficiency rate for the year was 5.8%, which is above the office goal of 5%. The TPAC supports this program on the belief that it will produce a net positive impact on quality. The Trademark quality review group is also reviewing the work of the examination support staff.

2. Training

The TPAC supports continuing education programs to ensure Examiners have the knowledge and skills necessary to maintain high quality standards. Data from the in-process reviews is being used to prepare examination guides and training materials for examining attorneys. The Trademark Office is expanding web-based on-line training. Examiners are required to take on-line self-paced tutorials on a variety of topics. E-learning modules are available on topics such as "scope of amended identifications of goods and services", "proper handling of scandalous and disparaging trademarks", and "likelihood of confusion regarding weak and diluted trademarks". Several other modules are in preparation. The TPAC recommends this transition to e-training be monitored and reviewed on a periodic basis to ensure it is meeting the training needs of Trademark Office employees.

3. Trademark Assistance Center

On February 23, 2004, the Trademark Assistance Center (TAC) upgraded its call center system with the Enterprise Call Center (ECC) 3.0 system and with the USPTO Customer Contact Management System (UCCMS). UCCMS is a state-of-the-art web-based information system that enables TAC agents to input customer data, track problems, fulfill publication requests, answer e-mails, and provide consistent and useful information to external customers. Data compiled in the UCCMS is used to identify problem trends, track problem resolution, conduct root cause analysis, and to obtain statistical reports. The TPAC believes TAC provides a valuable service to the trademark community and that the availability of TAC services should be widely conveyed to the trademark community. The Office should adopt clear guidelines as to when a problem should be addressed to the TAC, as opposed to the relevant examining attorney. TPAC recommends that "hotline" contact information should be provided on all action letters produced by the Trademark Office, including the Trademark Trial and Appeal Board (TTAB).

4. Re-Certification

Likewise, the TPAC reiterates its position that it is not necessary, as proposed in the Office's strategic plan, to re-certify the competency of each examining attorney every three years. We believe current methods of assuring quality, including random review of applications and providing CLE opportunities, are adequate.

5. Computer Services Support

At a breakout meeting on June 3, 2004, members of TPAC met with Trademark Office personnel responsible for quality improvement programs. The transition to computer-based systems and the impact on quality was one of the issues discussed. Currently there is one centralized computer services support group for the USPTO. Given the custom-designed nature of Trademark Office computer systems and the unique needs of Trademark examiners, the TPAC endorses and supports the idea that a dedicated computer services support capability be created within the Trademark Office.

F. International Initiatives

The Administration has embarked on a new “Strategy Targeting Organized Piracy” (STOP) designed to protect U.S. businesses and their products from counterfeiters and pirates. The TPAC is very supportive of this initiative. Currently, anti-counterfeiting laws are not strong enough and enforcement is not given a high enough priority in many countries. As a result, counterfeiters are not punished in any meaningful way.

Counterfeiting has many negative consequences. It defrauds consumers. In certain cases, it may even imperil the public health and safety.

Under the STOP initiative, the USPTO is charged with creating an Office of Enforcement to help foreign countries police and enforce intellectual property rights and with establishing a hot line – 1-866-999-HALT – to provide businesses with the information necessary to enlist the aid of the U.S. Government. The TPAC looks forward to working with the USPTO in support of its anti-counterfeiting efforts and with being provided periodic updates on the STOP initiative.

The TPAC is also aware of the USPTO's ongoing efforts in connection with the protection of geographical indications and the adoption of changes to the Trademark Law Treaty with respect to such issues as licensing. We support such efforts and remain available to provide advice and guidance on these initiatives.

G. Madrid Protocol

The U.S. became a member of the Madrid Protocol on November 2, 2003. All the legal requirements for implementing the treaty in the U.S. were met to ensure implementation on the effective date. The process of registering marks in one or more of the 60-member

countries has been greatly improved for U.S. business owners who are now able to file a single application with the USPTO in English, pay in U.S. dollars, and potentially have their mark protected in any or all of the countries that are members of the Protocol. Non-U.S. trademark owners of member countries may elect to seek an extension of protection of their international registration in the U.S. by filing through the International Bureau (IB) of the World Intellectual Property Organization.

The USPTO received 1,572 international applications and 4,822 requests for extension of protection or subsequent designation containing 9,198 classes from the IB in the first eleven months of the Protocol. On November 1, 2004, the USPTO made Madrid Protocol forms available electronically. Paper submissions continue to be acceptable.

H. Trademark Trial and Appeal Board

The TPAC has continued to work with the Trademark Trial and Appeal Board on a number of issues over the past year. Chief Administrative Trademark Judge, J. David Sams, and other representatives of the TTAB have attended all of the public meetings of the TPAC and Chief Judge Sams has given regular briefings to the TPAC on the principal issues facing the Board. The TPAC specifically acknowledges, with thanks, the receptiveness and willingness of Chief Judge Sams, Senior Administrator Mary Frances Bruce, and USPTO General Counsel James Toupin to meet with TPAC members on several occasions to continue the dialog.

A number of issues that have been raised in the past, such as electronic filing, greater use of teleconferencing by interlocutory attorneys, work-at-home opportunities for TTAB staff, and possible changes to the rules on extensions of time to oppose, have been addressed. Other issues, such as greater use of mediation, increased imposition of sanctions in cases of abuse of motion practice, and the consideration of one-judge panels in appropriate cases, are still under discussion.

We are aware of some difficulties and delays in the interface between the examining operation and the TTAB, particularly with respect to cases in which there has been a suspension of examination during the pendency of a TTAB proceeding, or potential proceeding, or after the termination of a TTAB proceeding. This has resulted in misdirected files and, in some instances, failure to restore jurisdiction to the appropriate office. There is currently no coordination or link between the electronic systems of the examining operation and the TTABVue system. The TPAC has been informed that the USPTO is aware of this situation and will be taking measures to rectify it.

Among other issues that are receiving ongoing attention and discussion are the following:

1. E-Government Initiative

This past year the TTAB has substantially expanded its e-government capabilities. The user community has responded positively to the availability of pleadings through the

TTABVue database and to the addition of new electronic forms. Such forms may be used to change the correspondence address and for uncontested motions to suspend or extend dates. The use of these forms automatically updates the Board's records.

As of fiscal year-end, electronic filings had exceeded the Board's expectations. For example, 13% of ex parte filings, 43% of extensions to oppose, 32% of new oppositions, and 24% of petitions to cancel are now filed electronically.

It is anticipated that electronic filing and the ability to electronically monitor pending cases, decisions, etc., will continue to alleviate some of the pendency and workload issues which have been experienced in the past. The TPAC looks forward to continuing to work with, and to monitoring the progress of, the TTAB in its e-government initiatives.

2. Reduction in Pendency

During the previous fiscal year, the TTAB experienced a loss of one-third of its legal assistant staff for a period of three months, which led to an increase in backlog. Since that time, three additional paralegals have been hired and fully trained and the TTAB reports that the backlog has been effectively eliminated. Two of the paralegals are participating in the work-at-home program.

As of September 30, 2004, the average pendency for final decisions stood at 9.6 weeks, surpassing the goal of 10 weeks to decision. Clerical processing times also declined dramatically, as a result of e-filing. The goal for processing extensions of time to oppose was 14 days; by the end of the fiscal year, extensions of time were being processed in a little over three days. New oppositions, cancellations, and appeals also are being instituted in roughly one-third the time projected.

The TPAC applauds the significant progress made. We are hopeful that implementation of electronic call-up and monitoring systems will result in even further improvement. In the meantime, we urge the Board to consider all or some of the following proposals for reducing pendency: (1) directing routine motions first to paralegals, with subsequent review by a judge; (2) publicizing the advantages of electronic filing; and (3) encouraging the filing of cross-motions for summary judgment in order to facilitate early summary disposition.

3. Mandatory Disclosure/Accelerated Case Management

We note that the Board, in an effort to streamline proceedings, is considering implementing proposals relating to mandatory disclosure and accelerated case resolution. Some TPAC members have expressed concerns over certain aspects of these proposals. We look forward to working with the Board to further address and refine these initiatives so that they accomplish their intended purpose.

4. Precedential Decisions

The public has raised issues concerning the limited number of precedential decisions from the TTAB and some practitioners have urged that more TTAB decisions be citable as precedent. This issue has been raised with the TTAB. It appears to TPAC that it would be beneficial to the public and practitioners if the Board issued more decisions citable as precedent.

5. Page Limitation on Briefs

The TPAC has discussed with the Board its view that the Rules of Practice should be amended to provide that the 25-page limitation on briefs should not include “contents” or “index” pages. In order not to prejudice litigants, Board practice should, wherever possible, be consistent with that before the Federal courts. The Board’s practice of including the “contents” and “index” pages in the page limitation count is not consistent with Federal practice.

I. Proposed Rule Change

The Trademark Rules of Practice, specifically Rule 2.89(e)(1), provide that an intent-to-use applicant may file, along with the required Statement of Use, a so-called “insurance” extension request in the event the Statement of Use is rejected. The rule goes on to provide, however, that no further extension requests may be filed thereafter.

The TPAC urges the Trademark Operations to reconsider this rule, assuming the 36-month period within which to file an acceptable Statement of Use has not expired. In such a case, we believe that applicants should be able to continue to prosecute their ITU applications and that amending the rule accordingly would be consistent with the spirit of the statute.

J. Move to Alexandria Headquarters

In October 2004, the Trademark Operations began its move to the new USPTO complex in Alexandria, Virginia. The relocation has taken place with minimum disruption of service and, in fact, has been virtually invisible to the user community. Given the complexity of the move, this is no small accomplishment. The TPAC applauds the USPTO staff, in particular Chief Financial Officer JoAnne Barnard, for their efforts in this regard.